



na-churs
international

*Annual
report*

1974



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NA-CHURS
International
ANNUAL REPORT
directors and officers 1974



A. L. FARROW
President
Na-Churs International Limited
Director



B. W. EDNEY
Executive Vice-President
Na-Churs International Limited
Director



W. J. EVANS
Business Consultant, Prior to May, 1973
President
S. F. Lawrason & Company Limited
Director



D. E. FOYSTON
Director of A. E. Ames & Co. Ltd.
Director



J. F. PETCH
Attorney, Petch Associates
Na-Churs International Limited
Secretary-Director



J. A. ROGERS
Director
Na-Churs Plant Food Co.
Managing Consultant
Profit Counselors, Inc.



R. J. VOSLER
Na-Churs International Limited
Treasurer

HEAD OFFICE
Oakridge Park, London, Ontario, Canada

AUDITORS
Ernst & Ernst

STOCK EXCHANGE
Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR
The Canada Trust Company, Toronto,
Winnipeg, Vancouver

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a letter from the president to our shareholders



Record Net Sales of \$42,843,000 are 104% greater than the prior year's record of \$20,982,542. Net earnings per common share of \$1.62 were generated from these sales resulting in an increase of 142% over the prior year's earnings level. A significant feature of these two growth factors is the increase in the profitability of the corporation in spite of very substantial increases in basic chemical costs, as well as the effect of inflation on operating costs. The net profit as a percentage of sales increased from 9.8% last year to 11.9% in the current fiscal year. This gain resulted primarily from added sales volume, controlled expenses and increased efficiency.

FEEDING THE WORLD TODAY

One year ago today we brought to your attention that agriculture would be given top priority in the years ahead. This priority is being felt more today than ever before in history. The United States and Canada are being asked to produce more food than ever before in order to help feed the starving nations of the world. We here at Na-Churs feel we have an obligation to assist in this program.

To meet this ever increasing demand for Na-Churs we have signed a series of contracts for raw materials at home and abroad which will enable us to maintain continuity of production in order to meet our 1975 sales objective. We are constantly upgrading our field sales force and improving our research programs in order to maintain our leadership position among our competitors.

NA-CHURS FEED SUPPLEMENT

A separate division has been formed to represent Na-Churs Feed Supplement. This division now numbers approximately 100 representatives and will be in full production by the time that you receive this message. The goal of this division is to have a sales force of 500 sales personnel in the year of 1975. The results of our research are certainly most exciting and cannot help but add a great deal to the overall progress of Na-Churs International.



A notable achievement during fiscal year 1973-74 is the fact that we no longer have to provide collateral against our bank borrowings. Due to the favorable cash flow generated we were able to reduce our interest expense during a period of spiraling interest rate increases.

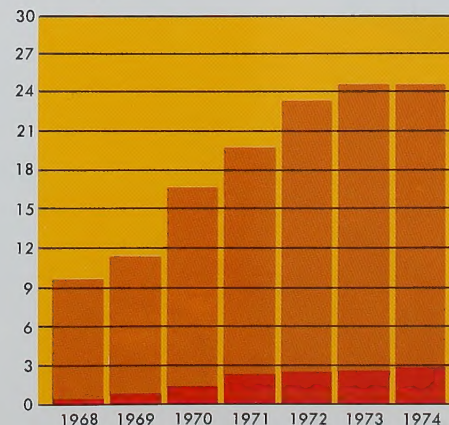
Although our latest sales figures practically doubled during this past year our accounts receivable have increased by only 54%, indicating a more effective credit policy—and the sale of Na-Churs to customers with higher credit ratings.

The total dollar inventory at the year end is significantly higher than in previous years. Most of this represents recent raw material purchases which will assure an adequate supply to meet our present forecasts. With an inventory turnover approximates five turns per year our current profit is not over estimated as a result of inventory gains.

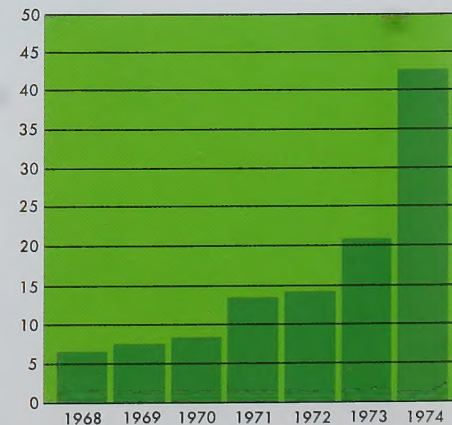
Property, Plant and Equipment reflect new investment during the current year of \$4,372,124, of which \$2,700,000 was invested in storage capacity on the farm and additional bulk station facilities. \$570,000 has been invested in an approximate 450 acre tract on the eastern edge of Marion, Ohio for continuing research for the fertilizer division and the new feed division. This new commitment demonstrates the corporate determination to maintain Na-Churs in the forefront of the agricultural industry through intensified and expanded research. Trans-



EMPLOYEES
HUNDREDS
FIELD REPS. ADM. & STAFF



SALES
MILLIONS OF DOLLARS



portation equipment was increased by \$550,000 principally tank trucks and related equipment for product distribution.

Acquisition of land in Forrest City, Arkansas was completed in the spring of 1974 and construction was started on a new production facility in order to better serve the southern United States. This plant will begin producing the full line of Na-Churs products in December of 1974.

Another milestone established in the fiscal year 1973-74 was the establishment of a dividend policy first on a regular semi-annual basis and, subsequently, upgraded to a quarterly basis resulting in paying an annual dividend rate of \$.20 per share. In addition, the shareholders voted in January 1974 to split the common stock two for one, thus doubling the number of shares outstanding and providing desirable and wider distribution.

The contribution of our shareholders and our employees to this success while immeasurable, is recognized by your management. Our acknowledgment and gratitude is heartily extended.



On behalf of the Board,

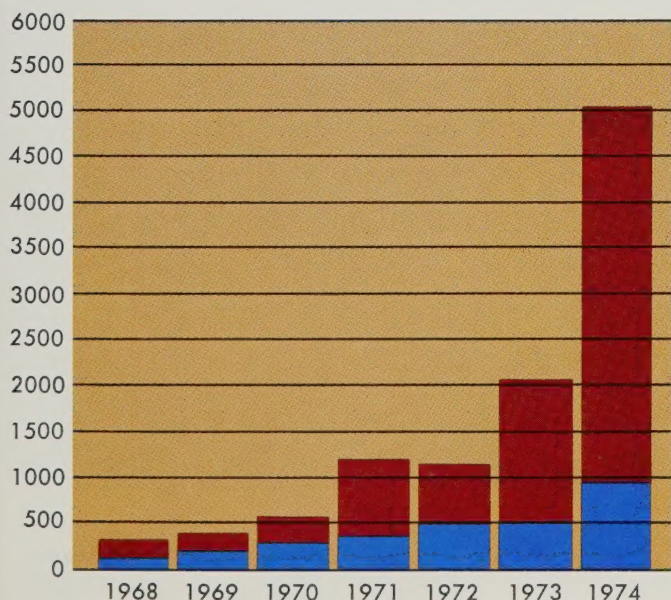
Allan L. Farrow

Allan L. Farrow
President

FUNDS FLOW

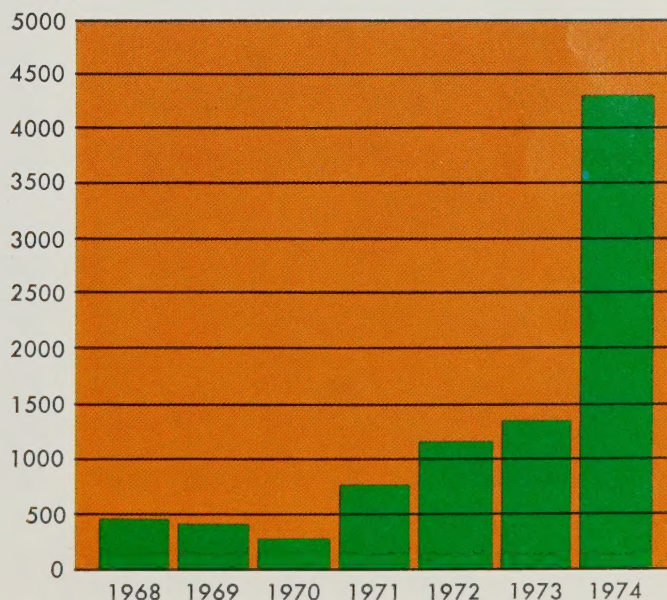
THOUSANDS OF DOLLARS

■ NET EARNINGS ■ DEPRECIATION



NET CAPITAL EXPENDITURES

THOUSANDS OF DOLLARS

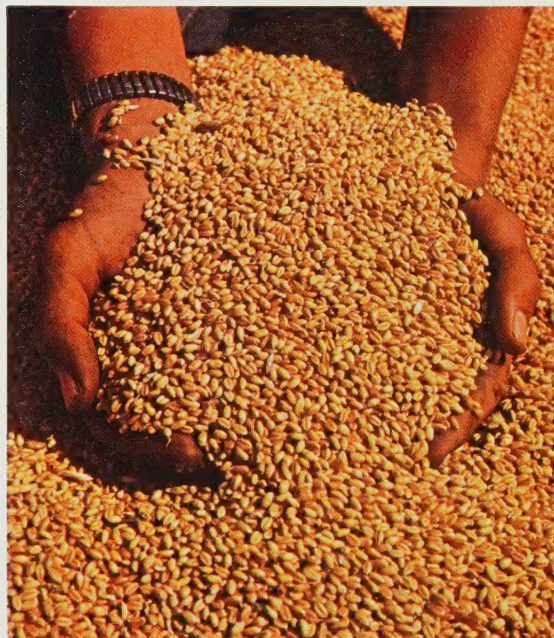
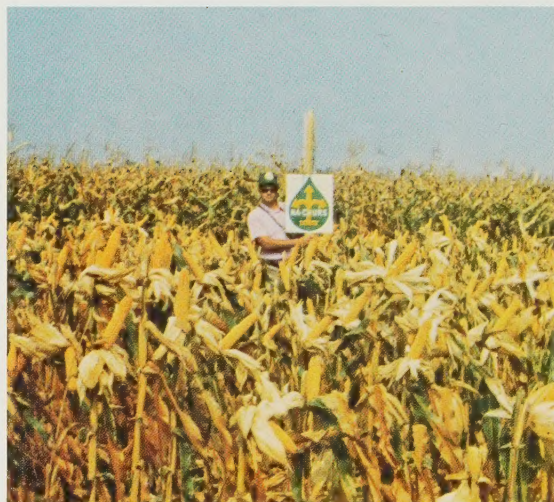


NA-CHURS



Your silent partner in farming today

Make the NA-CHURS Program a part of your farming investment. It's imperative to get the most from your cash crop fertilizer dollar. One NA-CHURS user won three consecutive Indiana State corn titles with 187.06, 200.06 and 199.09 bushels per acre. On soybeans, NA-CHURS foliar sprays decrease flower abortion and increase pod settings, resulting in more beans per plant. It only takes six extra beans or two extra pods per plant to yield six more bushels per acre. Greater yields and higher test weights mean more profit from all your crops.

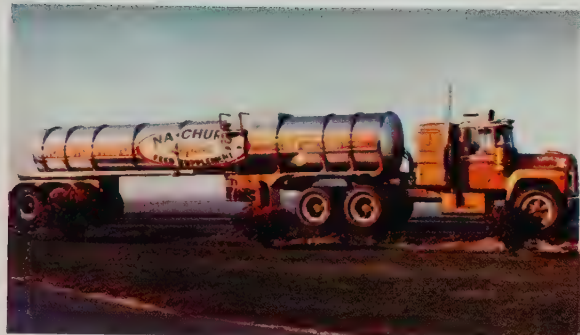


NA-CHURS

Plant Food Company

A DIVISION OF NA-CHURS International

4 Plants and 2,500 representatives across the nation to serve you • Marion, Ohio • London, Ontario, Canada • Red Oak, Iowa • Forrest City, Arkansas



On-farm tank truck deliveries.



Dairy herd users report milk production gains.



Tim Bergman with Sandy, a county fair prize winner.



Feedlot users show significant improvement in gains.



Your on-farm Golden Liquid Feed Supplement tank simplifies handling and helps to automate your feed supplement program.

NA-CHURS GOLDEN LIQUID Feed Supplement

Milk production records with and without NA-CHURS Golden Liquid Feed Supplement repeatedly show that properly balanced feeds increase milk production.

On feedlots, documented pen feeding tests of 825# to 1,051# steers over a 64-day period using NA-CHURS Golden Liquid Feed Supplement metered into feed indicated an average daily gain of 3.53 pounds per animal.

NA-CHURS Golden Liquid Feed Supplement guarantees a minimum of 65% equivalent crude protein from non-protein nitrogen.



NA-CHURS *Plant Food Company*

A DIVISION OF NA-CHURS International

4 Plants and 2,500 representatives across the nation to serve you • Marion, Ohio • London, Ontario, Canada • Red Oak, Iowa • Forrest City, Arkansas

NA-CHURS GROWTH CONTINUES



Income Statistics		1974
Net sales		\$42,843,00
Earnings before depreciation, interest on long-term debt and income taxes		11,022,63
Depreciation		905,41
Interest on long-term debt		83,04
		988,45
Earnings before income taxes		10,034,17
Income taxes		4,946,00
Net earnings		5,088,17
Net earnings per common share — Note B		1.6
Effective tax rate		49.3%
Net earnings as % of sales		11.9%
Balance Sheet Statistics		
Current assets		\$16,276,6
Current liabilities		11,035,56
Working capital		5,241,04
Ratio of currents assets to current liabilities		1.5:
Net expenditures on plant and equipment		\$ 4,372,12
Long-term debt		290,72
Shareholders' equity		11,935,59
Common shareholders' equity per common share — Note B		3.7
Common shares outstanding at year-end — Note B		3,137,44
Net earnings as a % of common shareholders' equity (at beginning of year) after provisions for preferred dividends		71.3%



1973	1972	1971	1970	1969	1968	1967	1966
20,982,542	\$14,052,299	\$13,417,507	\$8,283,426	\$7,717,986	\$7,312,039	\$6,617,255	\$4,226,559
4,645,737	2,605,268	2,662,308	1,393,563	917,215	727,629	688,726	351,624
468,492	419,362	302,756	236,539	193,185	109,758	42,298	38,790
199,714	123,084	26,015	46,608	6,296	3,940	4,776	3,242
668,206	542,446	328,771	283,147	199,481	113,698	47,074	42,032
3,977,531	2,062,822	2,333,537	1,110,416	717,734	613,931	641,652	309,592
1,919,626	951,000	1,135,000	555,000	373,000	290,270	300,962	131,634
2,057,905	1,111,822	1,198,537	555,416	344,734	323,661	340,690	177,958
.67	.36	.39	.18	.11	.11	.14	.07
47.3%	46.1%	48.6%	50.0%	52.0%	47.3%	46.9%	42.5%
9.8%	7.9%	8.9%	6.7%	4.5%	4.4%	5.1%	4.2%
9,530,408	\$ 6,802,659	\$ 6,085,888	\$4,021,130	\$4,442,496	\$3,274,373	\$1,991,968	\$1,298,015
4,601,341	2,868,341	3,610,094	1,956,004	2,726,604	1,995,836	1,489,565	1,090,719
4,929,067	3,934,318	2,475,794	2,065,126	1,715,892	1,278,537	502,403	207,296
2.1:1	2.4:1	1.7:1	2.1:1	1.6:1	1.6:1	1.3:1	1.2:1
1,387,596	\$ 1,170,333	\$ 787,917	\$ 265,247	\$ 428,176	\$ 458,636	\$ 179,551	\$ 185,788
1,303,800	1,539,627	288,339	422,474	556,461	65,634	74,698	85,404
7,286,213	5,228,906	4,153,864	2,950,907	2,405,913	2,077,313	876,735	528,482
2.32	1.65	1.35	.90	.72	.61	.27	.15
3,074,448	3,065,448	3,035,448	3,012,288	3,012,288	3,012,288	2,401,308	2,399,994
40.7%	28.5%	43.9%	25.2%	18.3%	49.0%	90.8%	90.2%

NOTE A: 1969 and prior years have been restated in U.S. currency to compare to 1970 reporting.

NOTE B: Prior years are restated to reflect stock split in 1974 for two-for-one and in 1972 for three-for-one.



Na-Churs

CONSOLIDATED

SEPTEMBER 30

	ASSETS	
CURRENT ASSETS	1974	1973
Cash — Note B	\$ 518,162	\$ 1,307,195
Notes and accounts receivable:		
Trade	9,345,735	6,144,610
Other	37,801	266,247
Allowances for doubtful accounts (deduction)	(792,000)	(550,000)
	<u>8,591,536</u>	<u>5,860,857</u>
Inventories:		
Finished products	1,606,091	1,745,799
Work in process, raw materials and supplies	<u>5,201,887</u>	<u>430,038</u>
	6,807,978	2,175,837
Recoverable taxes on income		61,000
Other current assets	358,941	125,519
TOTAL CURRENT ASSETS	<u>16,276,617</u>	<u>9,530,408</u>
OTHER ASSETS		
Deferred taxes on income	250,700	148,000
Sundry other assets	<u>14,898</u>	<u>15,365</u>
	265,598	163,365
PROPERTY, PLANT AND EQUIPMENT		
Land — \$563,000 mortgaged	652,030	168,139
Buildings and roadways	1,095,763	821,465
Plant equipment and storage tanks	6,486,294	3,487,331
Office furniture and equipment	154,519	124,357
Transportation equipment	681,889	124,598
Allowances for depreciation (deduction)	(2,440,802)	(1,562,909)
	<u>6,629,693</u>	<u>3,162,981</u>
	<u>\$23,171,908</u>	<u>\$12,856,754</u>

See accompanying notes to consolidated financial statements.

International

LIMITED AND SUBSIDIARIES

BALANCE SHEET

(EXPRESSED IN UNITED STATES CURRENCY)

SEPTEMBER 30

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

	1974	1973
Notes payable to bank — Note B	\$ 2,000,000	
Trade accounts payable	1,094,047	\$ 561,613
Compensation and taxes thereon	3,963,989	2,175,352
Accrued interest, sundry taxes and other	377,053	109,920
Taxes on income	3,510,500	1,419,856
Portion of long-term debt due within one year	89,980	334,600
TOTAL CURRENT LIABILITIES	11,035,569	4,601,341

LONG-TERM DEBT — less portion classified as current liability

Note payable to bank		900,000
Mortgage notes payable:		
6%, due in annual installments of \$34,600 through 1976	34,600	69,200
8%, due in annual installments of \$55,380 through 1978	166,140	
	<u>200,740</u>	<u>969,200</u>

SHAREHOLDERS' EQUITY

Capital stock — Notes D and E		
Authorized:		
Class "A" preferred — 11,766 shares, 6% cumulative, redeemable, par value \$10 Canadian per share		
Class "B" preferred — 200,000 shares, 6% non-cumulative, redeemable, par value 45¢ Canadian per share		
Common — 6,000,000 shares without par value		
Shares issued and outstanding:		
Class "A" preferred — 11,757 18/100	104,462	104,462
Class "B" preferred — 152,542	61,979	61,979
Common — 3,137,448 in 1974 and 1,537,224 in 1973	1,009,900	964,660
	<u>1,176,341</u>	<u>1,131,101</u>
Additional paid-in capital	29,769	29,769
Retained earnings	10,729,489	6,125,343
	<u>11,935,599</u>	<u>7,286,213</u>
	<u>\$23,171,908</u>	<u>\$12,856,754</u>

APPROVED ON BEHALF OF THE BOARD:

Allan L. Farrow, Director
Byron W. Edney, Director



Na-Churs International

LIMITED AND SUBSIDIARIES

EARNINGS-OPERATIONS

STATEMENT OF CONSOLIDATED INCOME

(Expressed in United States Currency)

NA-CHURS INTERNATIONAL LIMITED
AND SUBSIDIARIES

YEARS ENDED SEPTEMBER 30, 1974 and 1973

	INCOME	1974	1973
Net sales		\$42,843,000	\$20,982,542
Deductions:			
Costs and expenses other than interest and taxes on income		32,721,680	16,956,466
Interest:			
Long-term debt		83,044	199,714
Other		78,513	39,065
		<u>32,883,237</u>	<u>17,195,245</u>
		9,959,763	3,787,297
Other income		<u>74,416</u>	<u>190,234</u>
	INCOME BEFORE TAXES ON INCOME	10,034,179	3,977,531
Taxes on income:			
Federal (deferred: 1974 — \$102,700; 1973 — \$7,000)		4,543,000	1,846,626
State and city		403,000	73,000
		<u>4,946,000</u>	<u>1,919,626</u>
	NET INCOME (per common share: 1974 — \$1.62; 1973 — \$.67)	<u>\$ 5,088,179</u>	<u>\$ 2,057,905</u>
Remuneration paid or payable to senior officers and directors of the Corporation		<u>\$ 611,030</u>	<u>\$ 454,840</u>

See accompanying notes to consolidated financial statements.



STATEMENT OF CONSOLIDATED RETAINED EARNINGS

(Expressed in United States Currency)

NA-CHURS INTERNATIONAL LIMITED

AND SUBSIDIARIES

YEARS ENDED SEPTEMBER 30, 1974 and 1973

	1974	1973
Balance at beginning of year	\$ 6,125,343	\$4,074,461
Net income	5,088,179	2,057,905
	<u>11,213,522</u>	<u>6,132,366</u>
Deduct cash dividends:		
On Classes "A" and "B" preferred shares	11,178	7,023
On common shares — \$.15 per share	472,855	
	<u>484,033</u>	<u>7,023</u>
Balance at end of year	<u>\$10,729,489</u>	<u>\$6,125,343</u>

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

(Expressed in United States Currency)

YEARS ENDED SEPTEMBER 30, 1974 and 1973

FUNDS PROVIDED	1974	1973
Net income	\$ 5,088,179	\$2,057,905
Items recognized in net income which did not affect working capital:		
Provision for depreciation of property, plant and equipment	905,412	468,492
Write-off of abandoned farm storage tanks		105,392
Deferred taxes on income	(102,700)	(7,000)
FUNDS PROVIDED FROM OPERATIONS	<u>5,890,891</u>	<u>2,624,789</u>
Proceeds from long-term debt	276,900	173,000
Cash proceeds from issuance of common shares	45,240	6,425
TOTAL FUNDS PROVIDED	<u>6,213,031</u>	<u>2,804,214</u>
FUNDS USED		
Expenditures for property, plant and equipment	4,372,124	1,387,596
Current maturities and retirement of long-term debt	1,045,360	404,481
Increase (decrease) in other assets	(487)	10,355
Cash dividends	484,033	7,023
TOTAL FUNDS USED	<u>5,901,050</u>	<u>1,809,455</u>
INCREASE IN WORKING CAPITAL	<u>\$ 311,981</u>	<u>\$ 994,749</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	\$ (789,033)	\$1,069,601
Notes and accounts receivable	2,730,679	1,618,120
Inventories	4,632,141	(8,423)
Recoverable taxes on income	(61,000)	61,000
Other current assets	233,422	(12,549)
INCREASE IN CURRENT ASSETS	<u>6,746,209</u>	<u>2,727,749</u>
Increase (decrease) in current liabilities:		
Notes payable to bank	2,000,000	(815,825)
Trade accounts payable	532,434	178,148
Compensation and taxes thereon	1,788,637	1,277,014
Accrued interest, sundry taxes and other	267,133	102,885
Taxes on income	2,090,644	995,124
Portion of long-term debt due within one year	(244,620)	(4,346)
INCREASE IN CURRENT LIABILITIES	<u>6,434,228</u>	<u>1,733,000</u>
INCREASE IN WORKING CAPITAL	<u>\$ 311,981</u>	<u>\$ 994,749</u>

See accompanying notes to consolidated financial statements.



NA-CHURS INTERNATIONAL LIMITED
AND SUBSIDIARIES
SEPTEMBER 30, 1974

NOTE A — ACCOUNTING POLICIES

Basis of Consolidation — The consolidated financial statements include the accounts of the Corporation and its subsidiaries (all of which are wholly-owned):

Na-Churs Plant Food Co.
Berlou Manufacturing Company
Tri-State Trucking Inc.
Shenandoah Grain Corporation
Na-Churs Plant Food Company (Canada) Limited
The Berlou Company (Canada) Limited

Inter-company accounts and transactions have been eliminated.

Translation of Foreign Currency — The financial statements are stated in United States dollars. Amounts in Canadian funds have been translated on the following basis:

- Current assets and current liabilities at approximate year-end rates;
- Property, plant and equipment, deferred taxes on income, long-term debt and capital stock at historical rates; and
- Income, costs and expenses at average rates for the year.

Unrealized foreign exchange adjustments (nominal in amount) are treated as income or expense.

Inventories — Inventories have been valued generally at the lower of cost or market. Cost is determined on a first-in, first-out basis, and market is considered as net realizable value.

Property, Plant and Equipment — Property, plant and equipment is carried at cost and includes expenditures for new assets and those expenditures which substantially increase the useful lives of existing assets. Maintenance, repairs and minor renewals are expensed as incurred. When properties are disposed of, the cost and related allowances for depreciation are removed from the accounts and any gain or loss is credited or charged to income.

The Corporation provides for depreciation of property, plant and equipment principally by the straight-line method over the estimated useful lives of the assets.

Income Taxes — The Corporation provides for income taxes based on income reported for financial statement purposes, adjusted for permanent tax differences. Deferred taxes result principally from bad debt expense and state franchise (income) tax expense in excess of amounts currently deductible for U. S. federal income tax purposes.

Investment tax credits (\$176,000 in 1974 and \$51,000 in 1973) are recognized as a reduction of the provision for U. S. federal income taxes on a flow-through basis.

Stock Options — Proceeds from the sale of common stock issued under options are credited to common stock at the time the options are exercised. Options are issued at market values at the date they are granted. Therefore, the Corporation makes no charges against income with respect to options.

Research and Development Costs — Research and development costs are charged to operations as incurred.

Income Per Common Share — Income per common share is computed by dividing (1) net income, less dividend requirements on the Classes "A" and "B" preferred stock by (2) the average number of common shares outstanding during the year. Outstanding stock options did not have a material dilutive effect.

NOTE B — NOTES PAYABLE TO BANK

Notes payable to bank at September 30, 1974 represent advances

notes to consolidated financial statements

under a \$3,500,000 line of credit agreement with a bank. Terms of the agreement require the Corporation to maintain average compensating balances on deposit with the bank in the amount of \$350,000 plus 10% of the debt outstanding.

NOTE C — PENSION PLAN

The Corporation has a deferred annuity type pension plan for employees meeting certain requirements as to age and length of service. No past service liability or vested benefits were incurred by the plan. Provisions for pension costs amounted to \$60,000 in 1974 and \$42,000 in 1973. The Corporation funds pension costs accrued.

NOTE D — STOCK OPTIONS

The Corporation has a stock option plan for officers and key employees. Generally, the options are exercisable at the rate of 20% a year and expire five years from date of grant. The option price for all options is 100% of market value at date of grant.

During the year ended September 30, 1974, options to purchase 63,000 shares were exercised at a price of \$.72 Canadian a share. At September 30, 1974, options for 11,000 shares, at \$3.25 Canadian a share were outstanding of which 4,400 were exercisable.

NOTE E — CAPITAL STOCK

In January 1974, each of the authorized and issued common shares of the Corporation was split on a two for one basis. The calculation of income per common share has been adjusted to reflect this stock split.

NOTE F — LEASES

Na-Churs Plant Food Co. leases certain transportation equipment and computer hardware. The leases require minimum annual rentals of approximately \$494,000 in 1975 and \$74,000 from 1976 through 1978. Rental expense totaled \$544,000 for the year ended September 30, 1974.

NOTE G — LITIGATION

Certain of the subsidiaries of the Corporation are currently defendants in several law suits. In the opinion of legal counsel, liability for the uninsured portion of claims under these lawsuits would not be significant.

AUDITORS' REPORT

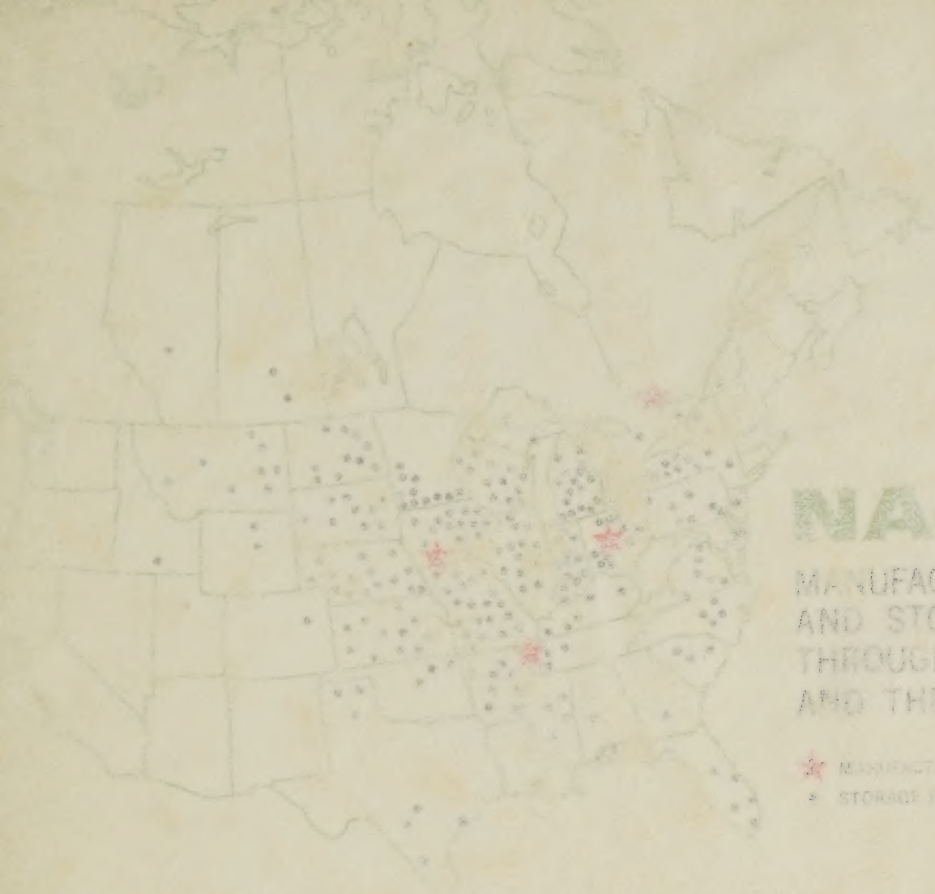
To the Shareholders
Na-Churs International Limited

We have examined the consolidated balance sheet of Na-Churs International Limited and subsidiaries as of September 30, 1974, and the related statements of consolidated income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, retained earnings and changes in financial position present fairly the consolidated financial position of Na-Churs International Limited and subsidiaries at September 30, 1974, and the consolidated results of their operations, changes in shareholders' equity and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 27, 1974

Chartered Accountants



NA-CHURS

MANUFACTURING PLANTS
AND STORAGE FACILITIES
THROUGHOUT CANADA
AND THE UNITED STATES.

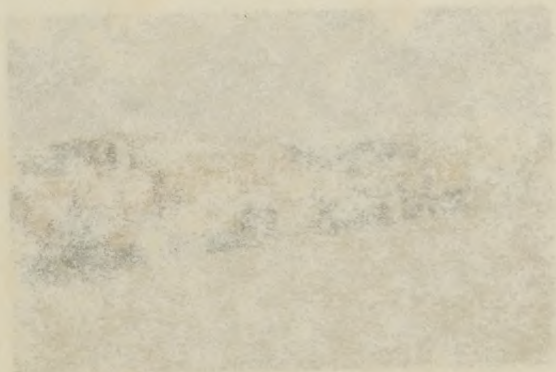
★ MANUFACTURING PLANTS
• STORAGE FACILITIES



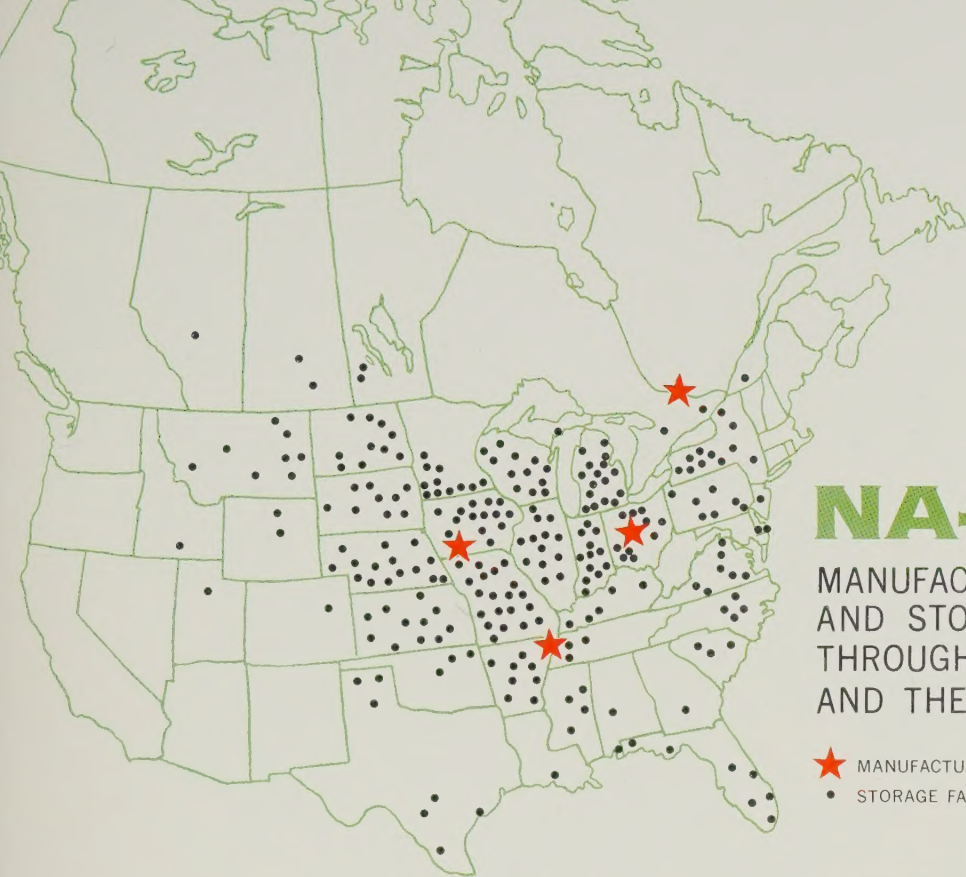
STORAGE TANKS



VIEW OF THE FLEET OF MODERN TRUCKS
ENTERING DISTRIBUTION CENTERS DAILY



DELIVERY TRUCKS



NA-CHURS

MANUFACTURING PLANTS
AND STORAGE FACILITIES
THROUGHOUT CANADA
AND THE UNITED STATES.

- ★ MANUFACTURING PLANTS
- STORAGE FACILITIES



STORAGE TANKS



THREE OF THE FLEET OF MODERN TRUCKS
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